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Wooldridge, Alexander P.

“The evolution of the gold  
standard”

Austin

1898

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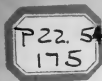
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## "The Evolution of the Gold Standard,"

AN ADDRESS BY

**MR. A. P. WOOLDRIDGE,**

President of the City National Bank of Austin, Texas,

... AT THE ...

**FOURTEENTH ANNUAL COVENTION**

... OF THE ...

**TEXAS BANKERS' ASSOCIATION,**

Held in the City of Austin, Texas, May 10th, 1898.

Ladies and Gentlemen:

What is to be the ultimate standard of values is the most important financial issue of the day, and must continue to be so, until finally and correctly decided—and this is my justification for offering this paper here—and now.

When I began to consider financial problems, some ten or twelve years ago, I found myself about what is called to-day an international bimetallist. I realized that our currency system was imperfect and incomplete; that the money supply was, at times and places, inadequate, and not merely a matter of "having the collaterals," as some flippantly are wont to put it. I thought that, in part, what we wanted was more money. I did not know enough, to realize how essential it is to have the best of money, as well as plenty of it, and I therefore believed that the international free coinage of silver would be a palliative of the situation, if no more. Having no full knowledge of the subject I had no strong convictions about the matter.

But as I continued to read and think, and began to have some experience of financial affairs, I thought I could discover along the track of the ages, and making a part of the progress of man—a slow, sure, persistent and irresistible evolution of a money standard. And as the progress of the world, in civilization, in

the arts, sciences, commerce and refinements of men, has been greater in the present century, possibly, than in the aggregate of the ten centuries which have preceded it; so this evolution of the money standard, which I can now designate as the "gold standard," from a gradual but steady progress during all of the historic past, has also, during the present century, suddenly broadened out everywhere, until to-day it dominates almost the entire financial world.

Observing the progress of this adoption of the "gold standard," I have asked myself, is the evolution of this agency in the affairs of man a wise and beneficial one; is it permanent; is it in accordance with the laws of nature and therefore of right and truth? Or is it merely local and temporary; the product of the art and selfishness of men; and as a consequence, not so certain to endure. I am sure I took up the matter with a candid and unprejudiced mind, and after a conscientious examination of the evidence accessible to me, I have come to two clear conclusions: First, that the evolution of the gold standard of which I speak is a clear fact, and not a mere illusion, and next, that it is a useful and beneficial fact, and not a mere cunning scheme and device of man. In fact, it is apparent to my mind that as the necessity and inventiveness of man have evolved the electric light as the most convenient and economical illuminant; the modern plow over the fork of a tree; and a steam thrasher over a hand scythe; so the convenience and ingenuity of man have evolved money out of barter, and out of money the gold standard, as the most perfect instrument for the transaction of the large operations of men.

Again I discovered, when I came to investigate this subject more fully, that what was a mere vague impression to me, was a clearly understood and well appreciated fact by men who had carefully examined the subject, and I was surprised at the weight of the arguments and the mass of statistics already compiled in proof of my contention. In fact, I find so much that is convincing already written upon this subject, that I am compelled to admit that there is hardly an idea expressed in this paper that has not already been better said by some one else, and I here explicitly acknowledge my special indebtedness to Prof. J. Laurence

Laughlin, in his work upon "Bimetallism in the United States," and to Mr. Horace White in his treatise upon "Money and Banking," for many of the arguments, and nearly all of the statistics which I herein present, in proof of the evolution of the "Gold Standard."

Then it occurred to me, if this evolution is so clearly perceived, and generally admitted by financiers, what apology can I properly make for talking to a body of financiers upon a subject that is so commonplace and trite to them? and the only answer I could make to this criticism, was, that perhaps I could talk through the bankers of Texas to the outside people, who probably are not so well informed upon this subject, and do some good there in trying to show them that the gold standard is not the wicked and unjust thing it is often represented to be, but, in reality, is a wise, efficient and helpful agency in the progress of our people, especially in the progress of those of us of the South.

To prove my contention, that gold is the present standard of values, and has been brought up to this proud eminence by the operation of a natural law of selection, I must establish by competent evidence, as a matter of actual fact, or not of mere assertion, first, that it IS the ultimate standard of values, and next, that it OUGHT TO BE SUCH. I assert that, right or wrong, wisely or foolishly, in accordance with the passions, prejudices and interests of men, or in spite of them, there has been a change all along the ages in the money methods of men, until to-day, whether we approve it or not, gold is the ultimate standard of values in all of the important transactions of civilized men, and that we can no more stop this tendency than we can stop a river by damming it, or forever wall out the sea; and I claim that the briefest review of the facts of financial history will confirm my assertion.

I will not weary this audience with a tedious recital of the money systems of the past, but to make my point of a change and an evolution I will merely recall what we all know.

The business transactions between men were in all early ages, and to-day, amongst primitive races, are wholly in the nature of barter—that is, by the exchange of one article of desire for another article of desire. In the earliest—or Hunting Age of man—a skin was bartered for a skin. In the Pastoral Age

domestic animals were bartered for one another, and even took on a certain function of money—in fact, were money—as, for instance, where in early Grecian times four oxen were given in exchange as the average market value of a female slave. In the Agricultural Age, the products of the field and farm were generally bartered for one another—but they, too, down to almost modern times, frequently were used for money—as in the instances of wheat, oats and tobacco, in the colonial periods of our own country.

But barter lacking often equivalency of value in the articles bartered, began early to be substituted by some form of money—and in addition to domestic animals, and agricultural products, we find the metals—especially gold and silver—beginning from the earliest historical periods to be preferred as money. There is scarcely any metal but either in the form of coin or in bulk, in purity or in alloy, has been somewhere, and at some time, used as money. But just as money has superseded barter, and metals other commodities as money, and coined money, uncoined metal money, and amongst metal moneys—gold and silver—for the convenience of the thing and for no other reason, have superseded all other forms of money—so gold in its highest utility has at last succeeded to gold and silver as joint sovereigns—and is to-day the sole monarch of the financial world, and to prove this is the further purpose of this argument.

I will not quote any facts to prove the evolution of money up to the equal uses of gold and silver as concurrent legal tenders. Every reading man knows that up to the eighteenth century, since the beginning of history, this was so. I am only interested in showing that in the last one hundred years gold, either by actual legislation, or the tacit practice and agreement of civilized people, has gotten nearly everywhere to be recognized as the final standard of values.

A century ago, probably most, if not all, of the civilized countries of the world coined both gold and silver, as equal legal tender money; to-day there is but one—Mexico. This statement, if a truthful one, implies certainly a great change, and one operating with strange universality. It is difficult to believe that so great a variety of people—of different races and lan-

guages; of different commercial and social conditions; under different forms of government, should, by a common instinct and judgment, as it were, within a short space of time, adopt a common money standard unless there were most excellent reasons therefor. And as these various peoples—of often differing and conflicting business interests—are not all fools, nor all likely to be controlled by a common, unscrupulous money power, it would appear that their common adoption of a common money policy was instigated by wise and convenient considerations, operating alike under like conditions, almost everywhere.

Prior to 1871 the only countries that had the gold standard were Great Britain and her colonies. Portugal, Turkey, Brazil and the Argentine Republic, Germany, Holland, Norway, Sweden, Denmark, Austria, Russia, Egypt, Mexico, Japan, India, China, Central America, Bolivia, Ecuador and Peru were silver-standard countries—all the other countries of the world had the bimetallic standard. To-day nearly all have changed to the single gold standard.

If this statement is a fact, I have proved my case. My contention is that the gold standard has been evolved out of the chaos of money systems heretofore prevalent in the world, and I ought not reasonably to be asked to prove more. I logically ought to be expected to establish the bare fact of the general adoption of the gold money standard, nothing more. Strictly speaking, I have nothing to do with the wisdom or folly of the adoption of the gold standard; I have nothing to do with the morality of the thing. It may be that the people of the world have made a great mistake in adopting the gold standard, and that instead of its being really for their best interest, it is against it. Concede even this, and yet the fact remains that they have adopted the gold standard.

I think, however, in briefly sketching the history of the adoption of the gold standard by the leading nations of the world, I can show that their policy was founded in the best interest and convenience of their peoples, and was a wise thing to do, and is not a mistake. England was the first nation to adopt the gold standard. This step was really taken in 1798, but 1816 is the date usually assigned. England, like other nations, of which

ours is one, found it impossible to maintain gold and silver on a parity, when the market and legal tender ratios of the two metals varied so often and so much, and probably she did not feel the need of experimenting further in such a futile undertaking; so, by act of Parliament of 1816, adopted the single gold standard, giving as a principal reason therefor "the greater convenience" of the people. Section 11 of the act of Parliament of 1816 uses these words:

"And whereas, at various times heretofore, the coins of this realm of gold and silver have been equally a legal tender for payments to any amount, and great inconvenience has arisen from both of these precious metals being concurrently the standard measure of value, and equivalent for property; . . . . . be it therefore enacted that from and after the passing of this act, the gold coin of this realm shall be, and shall be considered, and is hereby declared to be, the only legal tender for payments, except as hereinafter provided."

At the Brussels Monetary Conference of 1892, Mr. Bertram Currie, one of the delegates for Great Britain, said that "he saw no serious evils resulting from the disuse of silver as a standard of value." "This had come to pass by the process of natural selection and an artificial attempt to arrest it was doomed to failure." "That the wealth of a nation did not depend upon the amount of gold and silver it possessed." "The contrary was, in his estimation, nearer the truth." "That the more prosperous and civilized a nation becomes the less occasion it has to use the precious metals, and the smaller is the stock it requires for its transactions." At the same conference Mr. Raffalovich of Russia agreed with Mr. Currie in this statement, and "considered one of the elements of England's strength was the certainty of her money standard."

At this conference Mr. Leppa (of Italy) said that an inevitable law had impelled civilized nations to pass gradually to gold monometallism. Also at the same conference (called at the instance of the United States, and at which the power and influence of England were conceded, and is hence discussed here), Mr. Forsell of Sweden said: "Everybody distrusts silver, everybody seeks to keep his gold." "Bimetallism assigns to silver a legal monetary function in excess of its natural monetary function."

Mr. Currie, again speaking at this conference, "insisted that as three conferences called by the nations to try to legally reinstate silver as legal tender had failed, they might as well frankly declare the task an impossible one." "It mattered not to the seller of goods whether he were paid in paper or gold or silver, provided the next man would take it from him at par and without objection. Tried by this test, silver had broken down. Nobody wants silver for himself—everybody tries to pass it on to his neighbor."

The United States adopted the bimetallic system in 1792, but it was actually first upon silver basis, and after the large gold discoveries of California, upon a gold basis, and in 1873, when silver dollars were struck out of our list of coined money, we became legally and technically a gold standard country, just as we had been actually and practically for the preceding twenty-five years. The United States evolved the gold standard just as the English people had done, because it is the more stable standard of value; because gold is less cumbersome to handle than silver, and from its more concentrated value is obviously more convenient and better adapted to large transactions.

In 1857 the German Empire and Austria adopted the single silver standard, and the German Empire continued upon that basis until 1871, when its victory over the French enabled it, by means of the large war indemnity, paid by the French in gold, to go promptly and completely upon a gold basis. One of the good reasons given for the adoption of the gold standard in Germany was that the inconvenience of silver had brought about the enforced circulation of insufficiently secured paper money. People would not use silver, on account of its inconvenience, preferring, for its otherwise greater convenience, doubtful bank bills. Germany also being conspicuously a military country wants gold for its principal money supply, as the best possible reserve for war times and war purposes.

France, which had been distinctly bimetallic since 1803, endeavored, by the formation of the Latin Union in 1865, to perpetuate the double standard, but unsuccessfully, and in 1876 the free coinage of silver was suspended. France, Italy, Belgium, Switzerland, and afterwards Greece, formed the Latin Union. I understand that France would have gone distinctly upon the gold

basis earlier than 1876 had not Germany anticipated her, and by the adoption of the gold standard and the sale of a large part of her silver preoccupied the market of the world for silver.

Mr. Horace White says: "The gold standard made its way in France, not only without design upon the part of individuals, but in spite of the strenuous efforts of almost all of the men who busied themselves with the subject at all."

Holland, which is a highly commercial (if small) country, has had an interesting experience. It was first bimetallic. Seeing this would not work, and realizing that she was first silver and then gold, or vice versa, and wanting something definite and stable, she, in 1847, adopted the single silver standard. But particularly, by reason of her large international trade, she soon discovered she could not do business upon a silver basis, and after several suspensions of the silver act of 1847, she, in 1875, put herself squarely upon a gold footing, and this, too, as Mr. White says: "In spite of the arguments of the wise men of the time." Holland's experience shows how futile it is for politicians to try to overcome, by mere laws, the tendency and course of nature—human nature—if you will call it so. In 1892 the Austria-Hungary empire replaced silver by gold. The report of the reasons moving the commissioners to recommend the adoption of the gold standard contains the following strong language: "In every age there is some metal dominant in the industry of the world which forces its way with elemental strength, and in the face of public regulation, and in our day gold is that metal." It seems to me these few lines contain all of the facts and the philosophy of this subject of the evolution of the gold standard as tersely and as convincingly as the words of man can put them.

India was first upon the double standard, next upon the single silver standard, but since 1893 has been within the "gold fold."

In 1897 Russia and Japan adopted the gold standard, demonstrating in their instances that as nations forge to the front in wealth, civilization, enterprise and progress, they instinctively and invariably evolve the gold standard.

I shall go no further into the financial history of the nations, this is useless and tedious. If there is to-day a single important

civilized country, not upon the gold basis, either by the laws or the practice of its people, I do not know the name of that country; and if, as I claim it is, an historical and an actual practical fact that all of the civilized nations of the world are upon the gold basis (and I invite disproof of my statement), I have proved my contention of the evolution of the gold standard, and could justly and reasonably stop right here and ask of objectors the pertinent question: "What are you going to do about it?" Strictly speaking, I have nothing to do with the reasons why the world is upon a "gold basis." I may consider these reasons good; you may think them bad, but doubtless, just as you will admit that the railroad train has superseded the ox-cart as a public vehicle, you will admit that gold has taken the place of all other forms of money as an ultimate standard of values. You may hate to see silver go and think it wrong; just as a citizen of Austin is said to feel about the ox-cart, still you will accept gold if you have to, just as this citizen has to ride on the steam cars if he wants to go any great distance from our city.

The second part of my contention is that, not only has the progress of the world evolved the gold standard, but that this is, in itself, a wise and a good thing for the world at large, and for the people of the South in particular. Now, how do I prove this? To begin with, there is no question of right or wrong, virtue or vice involved in this matter of a money standard. If lead suited the purposes of commerce, and the wants and desires of society better than gold, it would be wise, it would be right, and therefore beneficent to prefer lead. In matters of this sort, when the thing in itself has no moral character, no truth or falsehood, no honesty or dishonesty about it, the sole tests of its morality must be its convenience and adaptability to the wants, desires, and even to the tastes, prejudices of men, and, judged by these tests, gold is right as the ultimate standard of values, and all other forms of money, as a standard, are wrong.

Men prefer gold to silver, and to all other metals, simply because it adds to all of their good qualities, much greater stability and concentration of value. It is as Mr. White puts it, "a great labor-saving device." It is at the present ratio of silver to gold thirty-two times as easy to handle. And this advantage

alone will make it, as long as man is man, continue to be preferred to silver, all the acts of Congress to the contrary notwithstanding. But I must not be too dogmatic upon this matter, for there are thousands of wise and good men who do not think as I do upon this subject—men who will say that the mere proof that a thing is, is not demonstration; that it ought to be; men who sincerely believe, and men who can reason strongly for their convictions that the establishment of the gold standard has operated as an engine of wrong and oppression, especially against the poor. Now, even with men who think this way, after all, is it not a doubt as to the sufficiency of gold in the world that disturbs them? If they could be reasonably convinced that there was enough gold in the world to do the business of the world, they would possibly be reconciled to the inevitable gold standard. Well, tried by this test, I think the gold standard ought to stand. Prof. Laughlin says that in the twenty-five years following 1850, as much gold was given forth by the mines (and most of this was produced in the United States) as had been produced in all of the previous years since the discovery of America; in all, 357 years. From 1493 to 1850 \$3,314,553,000 gold was produced. From 1851 to 1875 \$3,317,625,000 gold was produced, (an average annual production of \$132,705,000 from 1851 to 1875) and this large average annual production is being kept up, increasing every year over the preceding year, and conspicuously so for the last ten years, being for the year 1895 (which is the last year given in the report of the Director of the mint), \$200,406,000. I do not know the amount of gold in the world in 1493, nor the population at that time, hence I cannot figure the per capita of gold then for comparison with the per capita now, but we do know that the production of gold has outstripped population in its ratio of increase during the last ten years, advancing, as Mr. White says, of late years, almost by leaps and bounds.

For the same reason (the convenience and adaptability of the thing), which has evolved gold as the ultimate standard of values, silver, as measured by gold, is, and will continue to be supreme in the smaller transactions of men.

We have just fought a great sea fight at Manila, and won it, not alone by the superior strength, valor and intelligence of our

men, but by their superior skill and valor, reinforced by the best armored vessels and the best modern equipments for war to be had. And as it would have been a foolish and a wicked thing to have put our brave sailors, in this day, on wooden war ships, merely because they are sixteen times as cheap as armored vessels, and because our ancestors in their day fought gallantly aboard of them, so, in my judgment, it is foolish in this day and generation to handicap the energy and enterprise of our people by trying to impose upon them an obsolete money standard, simply because it proved to be good enough for us one hundred years ago.

The South produces annually about ten millions of bales of cotton, worth not less than \$250,000,000. From two-thirds to three-fourths of this cotton, worth from \$166,000,000 to \$187,000,000, is annually exported to gold standard countries. This vast sum of money is paid to us annually in gold or its equivalent. In view of this fact, is it not apparent that the South, at least, could be upon a gold basis? The South is yearly improving in the size and diversification of its crops. It is increasing in the extent and variety of its commerce and manufactures. It has always been distinguished for the private and public virtues of its citizens, and if it would only get to be as right upon this money question as it is right upon many other economic questions (the tariff, for instance), it would soon lead all the land.

A. P. WOODRIDGE.





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